

## Governor Newsom's 2020-2021 Proposed Budget: Opportunities and Impacts on Health Care Coverage and Cost Containment

Governor Gavin Newsom's 2020-2021 State Budget outlined many opportunities to make California's health system more accessible and affordable. The proposed \$222 billion budget (\$153 billion general fund) includes new, first-in-the-nation investments towards universal coverage and health care cost containment. Consumer advocates strongly support these proposals along with other efforts to expand coverage to the uninsured, and complementary efforts to address the cost of health plans, providers and prescription drugs.

### Expanding Coverage

- **#Health4All Seniors:** This budget takes another step towards #Health4All by expanding access to full-scope Medi-Cal coverage for all income-eligible seniors age 65 and over, regardless of immigration status. With an initial state general fund investment of \$64.2 million in the first year (\$320 million in out years), this first-in-the-nation proposal will ensure at least 27,000 low-income undocumented seniors will gain access to primary and preventative care services. No Californian should be excluded from health coverage due to age, income, or where they were born. Many of these seniors have given a lifetime of contributions to California, and they should not be excluded from our public health programs. This action builds on previous expansions to undocumented income-eligible children in 2016 and young adults up to age 26 effective January 1, 2020.
- **Other Medi-Cal Expansions Sought by Community Groups:** Beyond the Governor's budget, health advocates will continue to advocate for other Medi-Cal eligibility and enrollment reforms, including #Health4All in Medi-Cal regardless of immigration status to all ages. Other reforms not included in the Governor's proposed budget but sought by advocates include:
  - **Seeking to remove the assets test for seniors and people with disabilities** in Medi-Cal. If seniors have \$2,000 (or \$3,000 for a couple) saved in their bank accounts for a rainy day, it makes them ineligible for full-scope Medi-Cal.
  - **Instituting "express lane eligibility" for children** in the Women, Infants and Children (WIC) program so they can get easily enrolled into Medi-Cal coverage.
- **Affordability Assistance in Covered California:** Last year, California provided first-in-the-nation state-funded subsidies to over one million consumers buying coverage in Covered California. This included zeroing out premiums for those at or below the poverty level, modest help for those already getting ACA assistance, and significant new state subsidies for many above the ACA threshold of four times poverty level (between \$50K-75K for an individual), so they don't have to spend more than 10% to 18% of their income on coverage.
  - While new state subsidies are not currently in the Governor's proposal, health advocates seek to build last year's investments to provide additional premium assistance and lower deductibles and cost-sharing for those in Covered California. Enhanced state subsidies will lower costs for hundreds of thousands of Californians and attract more of the uninsured into coverage, toward the goal of universal coverage.
- **Medi-Cal Healthier California for All:** While we work to expand Medi-Cal, it also must be improved for the 13 million who depend on it. Formerly Cal-AIM, this effort of over 20 distinct reforms to Medi-Cal seeks to streamline the program, broaden and integrate the services available, focus on "whole person care," primary and preventive services, behavioral health, and other social determinants of health. The budget includes \$695 million in investments for these expanded services and augment resources from the renewal of federal waivers.

## FACT SHEET: 2020-2021 State Budget: Opportunities for Health Care

- **Managed Care Organization (MCO) Tax:** The budget assumes federal adoption of the MCO tax passed in 2019. Approval from the federal government of the MCO tax would generate between \$1-2 billion, not this year but in future budget years and would be used to extend 21 health-related programs and benefits otherwise scheduled to be suspended in 2021 and beyond.

### Health Care Cost Containment

The Governor's budget includes ambitious efforts to prevent inflated health care prices for public programs, private payers, and patients overall, such as a new Office of Health Care Affordability, specific initiatives on prescription drug prices, and more.

- **Office of Health Care Affordability:** To respond to the affordability crisis in health care, Governor Newsom has proposed a new office to provide oversight of inflated health prices and set enforceable targets. The office will collect and analyze data and increase transparency in the health system and set cost targets for the industry by sector. The office will develop strategies and provide tools to attain those goals, and impose real financial consequences if they are not met. With support from consumer, labor, employer, and even some health plans and provider organizations, this bold proposal will help fix not just specific health care market failures and abuses, but provides a comprehensive approach to contain health care costs. The ultimate goal is to yield savings that are tangible to consumers, employers and other purchasers of private health insurance.
- **Prescription Drugs:** This budget includes a multi-prong attack to address prescription drug prices and use California's purchasing power to get the best price not just in the nation, but internationally.
  - The Governor seeks to build on his Executive Order from last year creating a **state purchasing pool for prescription drugs**, which carved out the prescription drug benefit from Medi-Cal managed care plans and centralized it into a single purchaser, Medi-Cal Rx. This year's budget proposal would augment that effort and take other steps, including:
    - Expand 'Medi-Cal Best Price' negotiations to get the best price internationally
    - Expand DHCS' authority to negotiate drug rebates for populations outside of the Medi-Cal program, and
    - Create a single statewide drug-pricing schedule for public and private purchasers.
  - Another notable proposal would give the State of California authority to **directly contract to manufacture or label specific generic drugs**. This proposal recognizes that generic drug prices have gone up substantially while also addressing instances of acute market failures such as insulin, Epi-Pen, or Martin Shkreli and Daraprim. A California-labeled generic drug could provide competition to bring prices down in select situations.
- **Strengthening California's Public Option:** The Governor's budget seeks to strengthen Covered California and Medi-Cal as California's "public options." The state's Health and Human Services Agency will develop options to improve enrollment, affordability, and choice in Covered California, including encouraging existing public Medi-Cal managed care plans (beyond LA Care) into the individual market.
- **Ending Surprise ER Bills:** In his budget press conference, Governor Newsom expressed interest in tackling the issue of surprise emergency room medical bills. Advocates will continue to press for a pending bill, AB1611 (Chiu), as well as a federal fix to this issue.

This year California has the opportunity to continue to expand coverage, alongside new and exciting efforts to confront the high cost of care, particularly of health plans, providers, and prescription drugs. Health Access will actively support these budget proposals as well as legislation to expand health care access and affordability, and to bring down the cost of care for consumers, taxpayers, employers, and all Californians.